

Registered Society No: 10237R

Regulator of Social Housing Registration No: LH0689

THE SWAYTHLING HOUSING SOCIETY LIMITED

Annual Report and Financial Statements

Year Ended 31 March 2023

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GENERAL INFORMATION

BOARD OF DIRECTORS

Jane Alderman	
Mandy Clarke	resigned 31 August 2022
Joanna Makinson	
Wayne Morris	
Simon Porter	
Jocelyn McConnachie	
Lou Taylor	
Mary-Kathryn Rallings-Adams	
David Montague	appointed 25 May 2022
Veronica Gordon (Co-optee)	appointed 25 May 2022
John Gary Orr	
Caroline Moore	

SECRETARY

Gemma Burton-Connolly	resigned 1 September 2023
Sarah Pearson	appointed 2 September 2023

REGISTERED OFFICE

Collins House
Bishopstoke Road
Eastleigh
Hampshire
SO50 6AD

BANKERS

Lloyds Bank
25 Gresham Street
London
EC2V 7HN

AUDITOR

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 OPA

STRATEGIC REPORT

Organisational Overview

The Swaythling Housing Society Limited is regulated by the Regulator of Social Housing as a registered provider. The Society is a member of Abri Group Limited, with a registered head office in Eastleigh.

Business Model

The Society operates with the intention of generating surpluses which are reinvested to support our social purpose in delivering more homes and services for customers. Income is predominantly derived from rents from housing properties and surpluses generated on schemes developed for sale.

The Society also administers the Help to Buy contract for the South region as an agent for Homes England, helping thousands of people rent or purchase a home through a variety of products.

The Society is funded over the long term by a range of loans, bonds, and government grants in addition to its retained surpluses.

Overview of Financial Results

An overview of the Society's result has been presented below.

Financial Performance

Turnover has increased by £7m year on year. Income from recharges increased by £6m, rentals increased by £3m, compensating for a net £3m reduction in proceeds from property sales and a £1m reduction in Help to Buy income. Turnover from social tenures has increased by £3m to £47m and contributes 60% of the Society's turnover, following 311 additions in the year.

Income from first tranche sales contributes £19m, an increase of £2m, with market sales reducing by £5m to £3m in the year, 25% of turnover. Supply of and demand for property remained high in the year, despite the increasing economic pressure during the year. First tranche sales volumes decreased by 10% to 130 units and all nine market sales units built sold quickly.

Income from Help to Buy transactions was £1m lower than the prior year at £3m as demand and cases reduced, with the scheme in the process of winding down. The Society benefits from a range of other income streams, including the provision of support services, garage rental, photovoltaic panels, and the provision of other services, which in aggregate generate an additional £3m income.

Cost of sales on first tranche sales increased by £2m, offset by a decrease in market sales, in line with turnover. The margins on first tranche sales reduced marginally from 20% to 18%, linked to increased inflation despite the continuation in house price growth.

Operating costs increased by £11m to £82m. Employee costs increased by £8m to £62m, in line with the 14% increase in employee numbers as a result of insourcing in our HomeCare operations, whilst costs associated with repairs and maintenance increased by £4m, due to job volumes.

Surpluses generated on the sale of fixed assets have reduced from £6m to £5m, with staircasing transactions accounting for the majority of the proceeds and surplus, in line with the prior year. Overall, margins increased from 40% to 45%.

Operating surpluses have reduced from £25m to £20m as a consequence of increased operating costs, with margins reducing from 23% to 18% as a result.

Performance Highlights (continued)

Financial Performance (continued)

Net interest costs have reduced marginally to £6m; our portfolio of loans and borrowings have been stable during the year, with increased development activity increasing capitalised interest. The Society incurred £6m of re-financing cost in the prior year from early breaks on embedded fixed rate swaps in our portfolio of variable rate borrowing; no such activity has been undertaken this year.

The Society has recorded a surplus before tax of £15m at a margin of 13%, an improvement from the £13m at 12% (£19m at 17% after adjusting for refinancing costs) in the prior year.

In other comprehensive income, there have been actuarial losses of £5m across the defined benefit pension scheme portfolio most notably within the Abri Group Pension Scheme against gains of £10m in 2022/23.

Financial Position

Housing properties have increased by £44m, driven by 321 gross additions, predominantly for affordable rents and shared ownership. Additions of £53m to Housing Properties are notably higher than the £44m in the prior year, whilst handovers are similar year on year. Our social housing stock, with a carrying value of £684m, represents 88% of our fixed asset base.

Within current assets, our closing cash position of £10m is £6m lower than the prior year; we retain sufficient access to various forms of funding to ensure we can meet our obligations as they fall due.

Our housing properties available for sale are £5m higher than the prior year at £30m; the balance at year end is primarily attributable to shared ownership properties under construction, with only £7m of completed stock unsold at year end.

Receivables are £5m higher than the prior year at £22m, with an increased grant claimed from Homes England under the terms of our Strategic Partnership in Quarter 4.

Payables due within one year are £23m higher than the prior year at £85m with increases in loans and borrowings, accruals and amounts owed to Group undertakings. The balance at year end also includes Gift Aid accrued of £9m; payable by 31 December 2023 the amount fully mitigates our corporation tax liability.

Within long term liabilities, loans and borrowings are £10m lower than the prior year at £263m due to a reduced aging profile. Deferred Capital Grant has increased by £34m with new grant received under our Strategic Partnership to close at £275m. The value of defined benefit pension liabilities have increased by £2m to £20m following actuarial valuations at year end.

Following the positive results of the year, our Society funds are £155m.

Our Performance

We monitor our operations every month on a group-wide basis by a range of key performance indicators (KPIs), allowing us to assess our financial performance and position and the delivery of our corporate strategy during the year.

An appraisal of these KPIs is included in our Group statutory accounts.

STRATEGIC REPORT (continued)

Principal Risks and Uncertainties

Within the Group, the principal risks and uncertainties, as identified by the Executive Board, are deemed to be those that would impact on the Group's ability to successfully deliver on the aims and objectives of its corporate strategy. An appraisal of these strategic risks is included in our Group statutory accounts.

Operational risks are those that the entities in the organisation face on a day-to-day basis, which are specific to the activities performed in each legal entity.

Value for Money

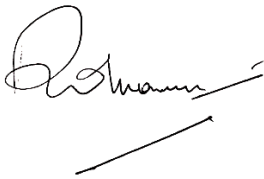
The Group assesses its performance in relation to Value for Money (VfM) at a Group level rather than on an entity by entity basis due to the Group's structure.

An assessment of our VfM performance is included in our Group statutory accounts.

Statement of Compliance

The Board confirms that this strategic report has been prepared in accordance with the principles set out in the 'Statement of Recommended Practice for registered social housing providers 2018'.

The strategic report was approved by the Board on 27 September 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Wayne Morris', with a long horizontal stroke extending to the right and a diagonal line crossing it from the bottom left.

Wayne Morris
Director

DIRECTORS' REPORT

The Directors present their report for the year ended 31 March 2023.

Group and Executive Board Members**Group Board**

As a regulated registered provider in the Abri Group, the legal Directors of The Swaythling Housing Society Limited are consistent with the Directors of the other registered providers and sit as the Group Board.

The Directors of the Society during the year and up to the date of signing are listed on page 1 and their remuneration is disclosed in note 8. An overview of the positions each serving Director holds on other committees within the Abri Group are outlined below.

Director/ Committee	Audit and Risk	Treasury	People and Culture	Development and Assets	Customer Service and Performance
Simon Porter	Member	Chair	-	-	Chair
Jane Alderman	-	Member	-	Chair	Member
Joanna Makinson	Chair	-	Member	-	-
Wayne Morris	-	-	Member	-	-
Jocelyn McConnachie	-	-	Member	-	-
Lou Taylor	-	-	-	-	Member
Mary-Kathryn Rallings-Adams	-	-	-	-	Member
David Montague	-	-	-	Member	-
Veronica Gordon	-	-	-	-	Member
<i>John Gary Orr</i>	-	-	<i>Member</i>	<i>Member</i>	-
<i>Caroline Moore</i>	-	<i>Member</i>	-	-	-

Key: Non-Executive Member; *Executive Board Member*

Executive Board and Corporate Directors

As a member of the Abri Group, the Society is directed by the Executive Board and Corporate Directors. The Executive Board primarily focuses on the delivery of the corporate strategy and are responsible for day-to-day operations, which are overseen by the Corporate Directors, who themselves lead the various functions of the organisation.

Executive and Corporate Directors Service Contracts

The members of the Executive Board and Corporate Directors are employed on the same terms as other staff, except for a contractual annual bonus scheme, the provision of a company car or payment of a car allowance and the provision of private medical benefit. Remuneration decisions are overseen by the People and Culture Committee. Details of the benefits received by Executive Directors are set out in note 8.

The Group Board is responsible for approving any bonus awards or changes in the Chief Executive's remuneration or contract.

DIRECTORS' REPORT (continued)

Group and Executive Board Members (continued)

Executive and Corporate Directors Service Contracts (continued)

The Executive Board and Corporate Directors, including those who are Group Board members, hold no interest in the Group's shares and act within the authority delegated to them by the Group Board under defined terms of reference.

Directors' Indemnities

Directors' and Officer's insurance cover has been established for all Directors to provide appropriate cover, indemnifying them against liability when acting for the Society. The indemnities were in force during the financial year and remain in place for all current and past Directors of the Society.

Capital and Treasury Management

Introduction

The Society is financed by a combination of revenue, intercompany loans, long-term loan facilities, bond finance, and social housing grant received from government.

Abri has a comprehensive treasury policy with tests that apply to the Group as a whole. The policy requires the Group to maintain a minimum level of liquidity such that there is:

- sufficient cash and cash equivalents to cover the next six months forecast cash requirement;
- sufficient liquidity to cover the next 18 months net cash requirement before funding (including uncommitted but not aspirational development or any staircasing cashflows); and
- no over-reliance placed on any one counterparty, whether through cash holdings or available facilities.

Capital Structure

At 31 March 2023 the Society's borrowings amounted to £272.0m of nominal drawn debt (2022: £281.0m) of which £16.0m (2022: £15.0m) is due to be repaid within the next year.

Risks

- **Interest rate risk** is the risk that the Society is unable to service its loans and borrowings due to rises in interest rates. The Society manages interest rate risk through the requirements laid out in the Group Treasury Policy, including entering into interest rate swaps to fix a proportion of floating rate debt;
- **Liquidity risk** is the risk that the Society is unable to service its loans and borrowings, or meet repayment liabilities as they fall due, owing to insufficient cash. The Society manages liquidity risk through the requirements laid out in the Group Treasury Policy, including requirements for minimum levels of cash or immediately available facilities;
- **Counterparty credit risk** is the risk that the Society is unable to access cash deposits due to failure of counterparties. The Society manages counterparty credit risk by regularly monitoring and reviewing the credit rating of counterparties through the requirements laid out in the Group Treasury Policy;
- **Market risk** is the risk that the Society is unable to refinance loans and borrowings at an acceptable interest rate as they mature. The Society manages market risk by modelling the impact of interest rate rises in its long-term forecast and identifying mitigating actions; and
- **Currency risk** is not applicable as the Society borrows and invests surplus funds only in sterling.

DIRECTORS' REPORT (continued)

Capital and Treasury Management (continued)

Interest Rate Management

Most of the Society's borrowings consist of fixed rate bonds and bank funding at both fixed and floating rates of interest. A subset of our bank loans have embedded interest rate swaps that run for all or part of the loan term.

The Society has two Homes England loans which are repayable as single instalments and are subject to an increasing fixed nominal rate of interest. The Society also has an intercompany loan at a floating rate of interest.

Total debt of £272.0m nominal at 31 March 2023 (2022: £281.0m) consisted of 79% (2022: 78%) fixed rate debt, of which £125.7m (2022: £130.3m) was made up of embedded interest rate swaps running for all or part of the loan term, £88.7m (2022: £89.1m) relates to fixed rate bonds and £0.6m (2022: £0.6m) to fixed rate Homes England loans. There are no options in our portfolio.

Financial Loan Covenant Compliance

Financial loan covenants are primarily measured by EBITDA MRI interest cover, gearing ratios and asset cover based on property asset values. Covenants are continually monitored and reported to the Executive Board and Treasury Committee. There were no breaches of financial covenants during the year.

Surplus assets for future debt security

At 31 March 2023 the Society had £368.2m (2022: £292.5m) unsecured completed housing properties not required for charging to existing debt facilities. These are sufficient to raise over £343.9m (2022: £272.5m) of future new debt assuming asset cover ratios of 105% for Existing Use Value as Social Housing (EUV-SH) for social properties and 120% for Market Value Subject to Tenancies (MV-T) for market rent properties.

Future Funding Options

At 31 March 2023, the Society had £127.4m in available liquidity. This comprised £8.4m of immediately available cash and cash equivalents, £50m in revolving credit facilities and £69m of undrawn intercompany loan. This is sufficient to fund the Society over the 21 months from the date of this report. It will cover all committed and pipeline developments including the affordable rent programme.

Moody's Credit Rating

Moody's review Abri's credit rating by looking at the Group as a whole. In February 2023, following their review, Moody's confirmed the Group's credit rating as A3 negative. In their review Moody's highlighted our financial strength, with moderate gearing, large, unencumbered asset base and solid liquidity. These strengths, combined with our supportive institutional framework, make us resilient to challenges and well placed to achieve our corporate objectives.

Governance and Regulation

The operations of the Society are subject to the governance and management structures in place across the Group, in common with all fellow subsidiaries.

An overview of the approach to governance and regulatory compliance, as determined by the Group Board, is included in our Group statutory accounts.

DIRECTORS' REPORT (continued)

Employees

The Society directly employed an average of 1,429 (2022: 1,256) full-time equivalent employees during the year, calculated on standard working hours per week for each employee. The Society is the principal employer in the Group and employs all new starters.

However, on a day-to-day basis all employees serve the interests of all group entities simultaneously depending on the specifics of their roles and responsibilities. An overview of the communication to, and engagement with, all colleagues irrespective of employer is included in our Group accounts.

Post Balance Sheet Events

On 1 May 2023 all employees of Abri Group Limited transferred to The Swaythling Housing Society Limited, following the closure of all defined benefit pension schemes in the Group to future accrual.

The Society therefore became the sole employer in the Group, with all employees eligible to be members of a single defined contribution pension scheme, with effect from this date.

Going Concern

The appropriateness of preparing the accounts on a going concern basis continues to be set against a backdrop of economic instability.

Despite daily life largely returning to normal following the Covid-19 pandemic the after effects are evident and are amplified when coupled with ongoing global geo-political issues. We continue to see high levels of inflation and the resulting cost of living crisis and subsequent measures aimed at controlling inflation, with the raising of interest rates, impacts our customers' ability to pay their rent or finance a mortgage.

The Society also continues to operate in a post-Brexit environment, in a sector where regulations surrounding fire safety and the environment have evolved, and with reformed ownership models. In addition, the introduction of new Tenant Satisfaction Measures by the Regulator of Social Housing and the "Make Things Right" campaign led by the Housing Ombudsman encouraging tenants to make complaints add to our operational challenges.

Such factors are all key considerations in setting our budgets for the financial year ahead, and more significantly in our long-term planning, covering the next 30 years. The assumptions in our business plans – interest rates, inflation, demand for property and legislative impact amongst others - are subjected to a range of stress testing, to identify areas of risk or concern, with a particular focus on continued covenant compliance and appropriate mitigation – such as fixing interest rates or exploring new methods of delivery of housing supply - where possible. Our forecasting is evaluated against a number of key performance indicators, with overlap to those reviewed by external parties such as the Regulator of Social Housing and credit referencing agencies.

Given the strength of our financial position and availability and liquidity of undrawn loan facilities, the Board believes that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Society's ability to continue as a going concern as we are well placed to absorb the impact of changes that lay ahead.

The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis for the 12 months from the signing date.

DIRECTORS' REPORT (continued)

Disclosure of Information to Auditor

At the date when this report is approved each of the Board Members confirm the following:

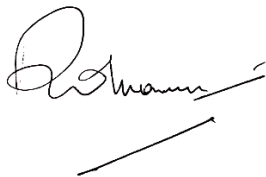
- so far as each Board Member is aware, there is no relevant audit information needed by the Society's auditor in connection with preparing their report, of which the Society's auditor is unaware; and
- each Board Member has taken all the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information needed by the Society's auditor in connection with preparing their report and to establish that the Society's auditor is aware of that information.

External Auditor

BDO LLP has indicated their willingness to continue in office as auditor to the Abri Group, and a resolution to appoint them will be proposed at the forthcoming annual general meeting.

Approval of the Board

The Directors' Report was approved by the Board on 27 September 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Wayne Morris', with a long horizontal stroke extending to the right and a diagonal line pointing downwards and to the left.

Wayne Morris
Director

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Board Members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board Members to prepare financial statements for each financial year. Under that law the Board Members have elected to prepare the Society's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and society will continue in business.

The Board Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board Members are responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Board Members. The Board Members responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SWAYTHLING HOUSING SOCIETY LIMITED

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2023 and of the Society's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2023.

We have audited the financial statements of The Swaythling Housing Society Limited ("the Society") for the year ended 31 March 2023 which comprise the Society statement of comprehensive income, the Society statement of financial position, the Society statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the board with respect to going concern are described in the relevant sections of this report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SWAYTHLING HOUSING SOCIETY LIMITED
(continued)**

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 to report to you if, in our opinion:

- the Society has not kept proper books of account;
- the Society has not maintained a satisfactory system of control over its transactions;
- the financial statements are not in agreement with the Society's books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the Board

As explained more fully in the board members responsibilities statement, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SWAYTHLING HOUSING SOCIETY LIMITED
(continued)**

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on our understanding of the Society and the sector in which it operates, discussion with management and those charged with governance we considered the significant laws and regulations to be UK GAAP, the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

The Society is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Regulatory Framework of the Regulator of Social Housing and health and safety legislation.

Our procedures in respect of the above included:

- review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- review of financial statement disclosures and agreeing to supporting documentation.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- enquiry with management and those charged with governance, Audit Committee and internal audit regarding any known or suspected instances of fraud;
- obtaining an understanding of the Group's policies and procedures relating to:
 - detecting and responding to the risks of fraud; and
 - internal controls established to mitigate risks related to fraud.
- review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through accounting estimates and inappropriate journal entries.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SWAYTHLING HOUSING SOCIETY LIMITED
(continued)**

Auditor's responsibilities for the audit of the financial statements (continued)

Fraud (continued)

Our procedures in respect of the above included:

- testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- assessing significant estimates made by management for bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Society, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Paula Willock

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Paula Willock (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
Gatwick, United Kingdom

27 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	3	115,549	108,980
Cost of sales	3	(18,633)	(19,100)
Operating costs	3	(81,609)	(70,623)
Surplus from disposal of fixed assets	3	5,012	5,714
Operating surplus		20,319	24,971
Finance income	4	434	381
Finance costs	5	(6,195)	(6,604)
Re-financing costs		-	(6,000)
Fair value movement on financial instruments	29	-	(110)
Fair value movement on investment properties	13	574	187
Surplus on ordinary activities before tax	6	15,132	12,825
Tax charge for the year	7	(3,724)	(898)
Surplus on ordinary activities after tax		11,408	11,927
Other comprehensive income/(loss)			
Actuarial gains/(losses) on defined benefit pension schemes	24	(5,330)	10,254
Tax charge recognised in other comprehensive income	7	3,724	898
Total comprehensive income		9,802	23,079

All activities derive from continuing operations.

The notes on pages 18 to 54 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	10	23	89
Housing properties	11	683,787	639,517
Other fixed assets	12	9,366	11,018
Investment properties	13	52,220	51,646
Equity loans	14	28,185	30,300
		773,581	732,570
Current assets			
Properties for sale	16	29,774	24,880
Inventories		788	343
Receivables	17	21,920	17,024
Cash and cash equivalents		9,581	15,508
		62,063	57,755
Payables: amounts due within one year	18	(84,558)	(61,564)
Net current liabilities		(22,495)	(3,809)
Total assets less current liabilities		751,086	728,761
Payables: amounts due after one year	19	(272,377)	(283,028)
Provisions	20	(5,037)	(8,058)
Deferred capital grant due after one year	21	(275,270)	(241,670)
Equity loan grant	14	(23,474)	(25,191)
Pension liability	24	(20,364)	(17,866)
Net assets		154,564	152,948
Capital and reserves			
Share capital	26	0	0
Revenue reserve		154,564	152,948
Society's funds		154,564	152,948

The notes on pages 18 to 54 form part of these financial statements.

The financial statements of The Swaythling Housing Society Limited, registered society number 10237R, on pages 15 to 54 were approved by the Board and authorised for issue on 27 September 2023 and signed on its behalf by:



Caroline Moore
Director



Joanna Makinson
Director



Sarah Pearson
Company Secretary

STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Revenue reserve £'000	Total £'000
At 31 March 2021	0	142,098	142,098
Surplus on ordinary activities after tax	-	11,927	11,927
Tax charge recognised in other comprehensive income	-	898	898
Actuarial gains on defined benefit pension schemes	-	10,254	10,254
Gift aid accrued – current year	-	(12,229)	(12,229)
At 31 March 2022	0	152,948	152,948
Surplus on ordinary activities after tax	0	11,408	11,408
Tax charge recognised in other comprehensive income	-	3,724	3,724
Actuarial gains on defined benefit pension schemes	-	(5,330)	(5,330)
Gift aid paid – prior year	-	1,230	1,230
Gift aid accrued – current year	-	(9,416)	(9,416)
At 31 March 2023	0	154,564	154,564

The notes on pages 18 to 54 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. LEGAL STATUS

The Society is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Society Act 2014 and is also registered with the Regulator of Social Housing as a social housing provider. The Society is a public benefit entity.

2. ACCOUNTING POLICIES

Basis of Preparation

The financial statements of the Society have been prepared in accordance with applicable law and UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing Statement of Recommended Practice (SORP) 2018 for registered social housing providers and comply with the Accounting Direction for private registered providers of social housing 2022. The financial statements are presented in pounds sterling and have been prepared on the historical cost basis except for a modification to amortised cost or a fair value basis for certain financial instruments and investment properties, as specified in the accounting policies below.

Going Concern

The appropriateness of preparing the accounts on a going concern basis continues to be set against a backdrop of economic instability.

Despite daily life largely returning to normal following the Covid-19 pandemic the aftereffects are evident and are amplified when coupled with ongoing global geo-political issues. We continue to see high levels of inflation and the resulting cost of living crisis and subsequent measures aimed at controlling inflation, with the raising of interest rates, impacts our customers' ability to pay their rent or finance a mortgage.

The Society also continues to operate in a post-Brexit environment, in a sector where regulations surrounding fire safety and the environment have evolved, and with reformed ownership models. In addition, the introduction of new Tenant Satisfaction Measures by the Regulator of Social Housing and the "Make Things Right" campaign led by the Housing Ombudsman encouraging tenants to make complaints add to our operational challenges.

Such factors are all key considerations in setting our budgets for the financial year ahead, and more significantly in our long-term planning, covering the next 30 years. The assumptions in our business plans – interest rates, inflation, demand for property and legislative impact amongst others - are subjected to a range of stress testing, to identify areas of risk or concern, with a particular focus on continued covenant compliance and appropriate mitigation – such as fixing interest rates or exploring new methods of delivery of housing supply - where possible. Our forecasting is evaluated against a number of key performance indicators, with overlap to those reviewed by external parties such as the Regulator of Social Housing and credit referencing agencies.

Given the strength of our financial position and availability and liquidity of undrawn loan facilities, the Board believes that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Society's ability to continue as a going concern as we are well placed to absorb the impact of changes that lay ahead.

The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis for the 12 months from the signing date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. ACCOUNTING POLICIES (continued)

Disclosure Exemptions

In preparing the financial statements of the Society, advantage has been taken of the disclosure exemption under FRS 102 paragraph 1.12(b) in not preparing a Statement of Cash Flows on the basis that this is included in the consolidated financial statements.

Operating Segments

Segmental information is disclosed in note 3. Information about income, expenditure and assets attributable to material operating segments are presented based on the nature and function of housing assets held by the Society rather than geographic location. As permitted by FRS 102 paragraph 1.5, this is appropriate based on the similarity of the services provided, the nature of the risks associated, the type and class of customer, and the nature of the regulatory environment across all geographical locations in which the Society operates.

Management do not routinely receive segmental information disaggregated by geographical location.

Turnover

Turnover represents rental and service charge income (net of void losses), fee income and revenue grant receivable, proceeds from market and first tranche sales, other income and the amortisation of capital grant.

Rental and service charge income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from market and first tranche sales is recognised at the point of legal completion of the sale.

Other income is recognised as receivable on the delivery of services provided. Deferred Capital Grant is released over the life of the asset structure in accordance with FRS 102.

Cost of Sales

Cost of sales relates to market and first tranche sales and represents those costs, including direct overheads and other incidental costs, incurred during development, construction, and marketing of those properties.

On market sales, the cost of sales represents the full construction cost of the unit sold. On first tranche transactions, the percentage of equity purchased determines the percentage of total unit costs recognised in the Statement of Comprehensive Income.

Help to Buy

Turnover is recognised in relation to Help to Buy on two distinct bases. A fixed quarterly fee for the operation of the contract is recognised as income on a straight-line basis each month, in addition to a fixed fee per case, recognised at the point of completion. The contract for the provision of services is subject to periodic renewal.

Revenue Grant

The Society receives grants in respect of revenue expenditure, and these are credited as appropriate to income in the same period as the expenditure to which they relate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. ACCOUNTING POLICIES (continued)

Service Charge Income and Expenditure

Where service charge income is identifiable it is recorded separately to rental income. Where service charge income is not identifiable it is recorded within rental income.

Income is predominantly variable, and charges will therefore include an adjustment for the under or over recovery from previous years and will be adjusted for under or over recovery in the current year. Until these balances are returned to or recovered from our tenants they are held as payables or receivables on the Statement of Financial Position.

Service charge expenditure is disclosed separately and includes the cost of all direct services provided, in addition to an allowance for management costs. Expenditure will also include costs of services provided that are not recoverable from tenants.

Surplus/(Deficit) from Disposal of Fixed Assets

Subsequent sales of existing properties and other fixed assets are included in operating surplus as they are deemed to be part of ongoing operating activities.

Staircasing events include both partial and final transactions, where the purchaser increases or fully acquires the equity in their property. Final staircasing events on houses will involve the disposal of the freehold, whereas on flats, the Society will retain the freehold on the property, reclassifying the unit as a leasehold unit in note 3.

The surplus on sales under the Right to Buy and Right to Acquire legislation is the difference between the proceeds received and the carrying value of the properties, subject to any third-party agreements relating back to Large Scale Voluntary Transfers of housing stock.

The surplus recognised on the sale of other housing properties is the difference between the proceeds received and the carrying value of the property.

The surplus recognised on redemptions of equity loans is derived from the market value of the equity holding in the property at the point of sale, less the original loan amount, any provision and any associated grant.

The surplus recognised on the sale of properties to other registered providers is the difference between the proceeds received and the carrying value of the property. All sales relate to properties purchased by fellow Group entities.

The surplus recognised on the sale of other fixed assets is the difference between the proceeds received and the carrying value of the asset.

Repairs and Maintenance

The Society capitalises items of expenditure on housing properties if they result in an enhancement to the economic benefits from the property or if they replace an identifiable component. Works to existing properties which do not meet the above criteria are charged to the Statement of Comprehensive Income.

Finance Income

Interest is earned from cash and cash equivalents and interest charged on equity loans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. ACCOUNTING POLICIES (continued)

Finance Costs

Interest costs, issue costs, premiums, and discounts are charged to finance costs over the term of debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Included within finance costs are ongoing servicing fees of loans and borrowings, which are charged to the Statement of Comprehensive Income over the review cycle of each facility.

Capitalisation of Finance Costs

The Society capitalises interest costs incurred because of development activities, with the amounts presented net of finance costs in the Statement of Comprehensive Income and included within the carrying value of assets in the Statement of Financial Position.

The amount capitalised is calculated in accordance with FRS 102 paragraph 25.2 and disclosure of the calculation basis and amounts capitalised is included in note 5.

Re-financing Costs

Re-financing costs relate to the costs of breaking existing agreement on existing credit facilities during the course of restructuring activities within the Society.

Value Added Tax (VAT)

The Society is part of the Radian VAT Group, the principal VAT group in the Abri Group; as a large proportion of its income is rent, which is exempt for VAT purposes, the Group is subject to a partial exemption calculation.

Expenditure is therefore shown inclusive of VAT and the input VAT recovered is credited to the Statement of Comprehensive Income.

Gift Aid and charitable distributions

Gift Aid accruals, facilitated by deeds of covenant, and charitable distributions relate to amounts to be paid to the Group parent and amounts paid in the year to fellow Group subsidiaries respectively. Both transactions are presented as distributions from reserves in accordance with the SORP 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. ACCOUNTING POLICIES (continued)

Pensions

For the defined contribution scheme, the amount charged to income and expenditure in respect of pension costs is the employer contribution payable in the year.

For defined benefit schemes, the amounts charged to staff costs within operating costs are those arising from employee services rendered during the period, benefit changes and settlements. The net interest cost on the net defined benefit liabilities is included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets are recognised immediately in other comprehensive income.

Defined benefit schemes are funded with assets of the scheme held separately from those of the Society and administered by The Pensions Trust or local government. Pension scheme assets are measured at fair value and liabilities on an actuarial basis using the projected unit method. Actuarial valuations are updated at each reporting date and full actuarial valuations are obtained at least triennially.

The funded defined benefit scheme is in deficit and a funding arrangement is in place. The net present value of the deficit reduction contributions payable under the agreement is recognised on the Statement of Financial Position and the unwinding of the discount rate is recognised as a finance cost.

Tax

Current tax is recognised for tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Intangible Assets

The Society has recognised internally generated in-house software applications which are recognised as intangible assets in accordance with FRS 102, Section 18. The assets are recognised at cost and amortised over a straight-line basis over the useful lives of assets, from the date the asset is available for use.

Fixed Assets - Housing Properties

Housing properties are held at cost less accumulated depreciation. Cost includes acquisition expenditure, development costs and directly attributable administration costs. The carrying value of housing properties is split between the land, structure and major components which require periodic replacement.

For affordable home ownership properties, the amount retained in housing properties is the cost of unsold equity (if the first tranche sale has completed) or 60% of the total unit cost (if the first tranche sale is yet to complete).

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties upon practical completion.

Land

Land acquired or donated to the Society will be accounted for depending on its intended use.

Land acquired for the provision of social housing, or where no specific intended use exists, will be treated as a fixed asset. When land is held for speculative purposes, for capital gain, or a commercial rental return it will be accounted for as an investment property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. ACCOUNTING POLICIES (continued)

Depreciation

Freehold Buildings and Components

Depreciation is charged on a straight-line basis over the estimated useful economic life of components on the following annual rates:

- 100 years – structure
- 70 years – roofs
- 40 years – electrical wiring
- 30 years – bathrooms, heating systems, fire doors and windows
- 20 years – kitchens and photovoltaic panels
- 15 years – boilers

Freehold land and Investment Properties are not depreciated and Shared Ownership properties only retain costs within structure, in the absence of a repair liability. When components are replaced, the net book value of existing components is charged to the Statement of Comprehensive Income at the point of disposal as a loss on replacement of components.

Leasehold Units

Depreciation is charged on a straight-line basis over the estimated useful economic life of the property, with reference to the term of the lease. Components in leasehold units are depreciated over the useful economic lives outlined above.

Other Fixed Assets

Depreciation is charged on a straight-line basis over the expected useful economic lives of the assets at the following annual rates:

- 50 years - freehold premises;
- 10 years - office furniture and development equipment;
- 4 years - motor vehicles, yard plant and machinery; and
- 3 – 5 years - office equipment.

Investment Properties

Investment properties are commercial properties, housing properties let at market rates or properties held for investment potential or capital appreciation.

Investment properties are measured at cost on acquisition or initial recognition and subsequently revalued to their market value at least annually with gains and losses recognised in the Statement of Comprehensive Income. Details of the advisers from whom values are obtained and the basis of valuation adopted are included in note 13.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. ACCOUNTING POLICIES (continued)

Investments in Equity Loans

The HomeBuy scheme, now closed to new entrants, was a program of home ownership where loans were advanced by the Society to purchasers of property. The program was funded through a combination of government grant and the Society's own funds. The loan advanced to the purchaser and the amount of grant received are both recorded at cost, less any impairments.

The Society has a fixed charge on the property entitling it to a share of the proceeds on the sale of the property. Any capital loss realised on redemption of the loan is initially offset against the government grant, which is held as a long-term liability.

Properties Held for Sale

All unsold market sale and affordable home ownership properties are classed as current assets at the reporting date and are valued at the lower of cost or estimated selling price less costs to complete and sell.

On affordable home ownership properties where the first tranche sale has yet to complete, 40% of each units' cost will be recognised as a current asset.

Property held for sale comprises both completed properties and property in the course of construction.

Inventories

Inventory represents materials and replacement components held prior to use in repair works. Items are held at the lower of cost and net realisable value and periodic stock counts ensure that damaged and obsolete items are identified and written off.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits, and short-term investments with an original maturity date of three months or less.

Cash and cash equivalents also includes cash in sinking fund accounts to which the Society has access on behalf of the beneficiaries of the account.

Provisions

The Society recognises provisions in respect of liabilities of uncertain timing or amounts. Provisions are made for specific and quantifiable liabilities, measured at the best estimate of expenditure and only where probable that it is required to settle a legal or constructive obligation that existed at the reporting date.

Receivables and Payables

Receivables and payables with no stated interest rate, and receivable and payable within one year, are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income within operating income and expense.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. ACCOUNTING POLICIES (continued)

Recoverable Amount of Rental and Other Trade Receivables

The Society estimates the recoverable amount of receivables and provides for the balance based on the value and class of the debt.

Financial Instruments

Financial instruments are recognised when the Society becomes a party to the contractual provisions of the instrument and are classified according to their substance.

Deferred and Recycled Capital Grant

Deferred Capital Grant, predominantly Social Housing Grant, is initially recognised at transaction value as a long-term liability and is amortised to the Statement of Comprehensive Income as turnover over the life of the structure of housing properties, except for grant received in respect of equity loans.

Upon disposal of an asset which has deferred capital grant allocated to it, the cost of the grant is transferred to the Recycled Capital Grant Fund until the grant is reinvested in a replacement property or repaid, reflecting the existing obligation under the social housing grant funding regime. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within liabilities is released to the Statement of Comprehensive Income to cost of sales.

Deferred Tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable surpluses.

Deferred tax relating to investment properties that are measured at fair value is recognised using the tax rates and allowances that apply to the sale of the assets. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted at the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented on the Statement of Financial Position as deferred tax assets within receivables.

Deferred tax assets and liabilities are offset only if the Society has a legally enforceable right to set off current tax assets against current tax liabilities.

Financial Assets and Liabilities

Loans and Borrowings

The Society's loans and borrowings meet the definition of, and are classified as, basic financial instruments under FRS 102. These instruments are initially recorded at the transaction price. They are subsequently recorded at amortised costs using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. ACCOUNTING POLICIES (continued)

Leases

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks or rewards of ownership of the leased assets to the entity. All other leases are classified as operating leases.

Rentals under operating leases are accounted for on a straight-line basis over the lease term even if the payments (where the Society is the lessee) and receipts (where the Society is the lessor) are not made or received on that basis.

The Society has no finance lease commitments.

Sinking Funds

Sinking funds comprise leasehold sinking funds and scheme provisions.

Leasehold sinking funds are unspent amounts collected from leaseholders for major repairs on leasehold schemes, plus any interest received, and are included in payables.

Scheme provisions are scheme funds set aside for major repairs and are also included in payables.

Critical Judgments, Estimates, and Uncertainty

Preparation of the financial statements requires management to make the following significant judgments and estimates:

Impairment Review

At each reporting date the Society assesses whether an indicator of impairment exists. If such an indicator exists assets affected are subject to an impairment review, and the recoverable amount of the asset or cash generating unit is estimated.

The Society defines cash generating units as relevant phases of development schemes across all tenures, except where this approach would lead to a cash generating unit of insufficient size or value; in such instances schemes in a similar geography may be aggregated to form a larger cash generating unit. An impairment loss occurs when the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

Provisions for Fire Safety works

A provision for the replacement of cladding and/or insulation in high rise blocks has been included in accounts where the following criteria has been met:

- tests have confirmed the materials used in construction were defective; and
- our intention to remedy the situation has been clearly communicated to affected residents; and
- The value of remedial works is reliable and informed by quotes from independent third parties.

In aggregate, these factors give rise to a constructive obligation, the value of which can be reliably measured, at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. ACCOUNTING POLICIES (continued)

Critical Judgements, Estimates, and Uncertainty (continued)

Provisioning for Investments in Equity Loans

The Society has provided for investments in equity loans given its vulnerability to foreclosure and losses on the sale of secured properties. Provisioning involves judgment around redemption rates, failure rates, and changes in property prices.

Provisions for Arrears and Other Debtors

Judgement is applied in the process of provisions for doubtful debts, to ensure that a charge is recognised in the accounts, equivalent to future losses from amounts written off, which are uncertain in both timing and amount.

Other Provisions

Where potential liabilities are uncertain in terms of timing or amount, judgement is exercised as to whether a provision is included in the accounts and at what value, based on all relevant information available to management.

Capitalised Interest Costs

The Society judges that no particular form of borrowing is committed to with a specific development in mind and therefore deems the weighted average cost of capital across the Group to represent the interest incurred in development activities.

Fair Value Measurement

The Society uses external professional advisers to determine the fair value of financial instruments and investment properties.

Whilst the fair value of financial instruments is based on quoted prices, investment properties are valued according to the methodologies and assumptions applied by the adviser.

Capitalisation of Property Development Costs

The estimate of anticipated costs to complete a development scheme is determined by suitably qualified professionals.

Judgement is involved in determining the appropriate allocation of costs relating to affordable home ownership between current and fixed assets, dependent upon the equity anticipated to be purchased in the first tranche.

An estimate is also made for the amount of time spent on viable schemes by our Development teams prior to entering contract, with amounts capitalised forming part of total scheme costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. ACCOUNTING POLICIES (continued)

Critical Judgements, Estimates, and Uncertainty (continued)

Housing Properties and Components – values and useful economic lives

In the process of developing or acquiring housing properties, where no land value is separately identifiable, an estimation of the land value is derived from a Red Book Valuation by a qualified surveyor.

Each unit is assigned relevant components, which are separately identifiable from the structure of the property at the point of handover. Each component is assigned a standard cost and an estimation of the useful life is made, informing the depreciation charges each unit receives in aggregate.

Classification of Investment Properties

Judgement is exercised in determining which housing and commercial properties and other assets let at market rates and are classified as investment properties as a result, whose treatment is then determined by the SORP.

Recoverable amount of Properties developed for sale

The expecting selling price is based on estimates received from suitably qualified professionals and are kept under review during the development stage to ensure they exceed total forecast development costs.

Classification of Loans with Embedded Interest Rate Swaps

We hold loans which carry a variable rate of interest. In some cases, our interest charges have been fixed by the inclusion of embedded interest rate swaps in these agreements for part or the full term of the loan. These loans could be repaid early, and fixes could be broken. This would involve paying a premium to lenders or the lenders paying a discount to us depending on the prevailing interest rate as there are two-way break clauses in our loan agreements.

Considering the requirements and criteria set out in FRS 102, and given our intention and forecasted ability to hold all of these loans to maturity, we consider classification of the loans as 'basic' to be appropriate and recognition at amortised cost to be a fair representation of our liabilities.

Defined Benefit Pension Obligations

Financial and actuarial assumptions underlying accounting estimates of the Society's defined benefit obligations are informed by actuarial advice, based on best estimates according to scheme duration, and applied consistently across accounting periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS

Social housing lettings, other social housing and non-social housing activities	2023					2022				
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus £'000	Operating surplus/ (deficit) £'000
Social housing lettings	47,171	-	(37,832)	-	9,339	43,821	-	(32,183)	-	11,638
Other social housing activities										
Development administration	88	-	(616)	-	(528)	105	-	(609)	-	(504)
Intercompany recharges	36,738	-	(36,738)	-		30,302	-	(30,300)	-	2
First tranche sales	19,338	(15,349)	(413)	-	3,576	17,162	(13,354)	(390)	-	3,418
Disposal of fixed assets	-	-	-	5,012	5,012	-	-	-	5,714	5,714
Other	165	-	(147)	-	18	251	-	(94)	-	157
	56,329	(15,349)	(37,914)	5,012	8,078	47,820	(13,354)	(31,393)	5,714	8,787
Non-social housing activities										
Market rent properties	3,212	-	(945)	-	2,267	3,185	-	(2,175)	-	1,010
Market sales	3,446	(3,284)	(41)	-	121	8,843	(5,746)	(20)	-	3,077
Furlough	-	-	-	-		14	-	-	-	14
Help to Buy agency	3,029	-	(2,739)	-	290	3,733	-	(3,672)	-	61
Photovoltaics	207	-	(25)	-	182	193	-	(32)	-	161
Garages	142	-	(29)	-	113	137	-	(39)	-	98
Other	2,013	-	(2,084)	-	(71)	1,234	-	(1,109)	-	125
	12,049	(3,284)	(5,863)	-	2,902	17,339	(5,746)	(7,047)	-	4,546
Total	115,549	(18,633)	(81,609)	5,012	20,319	108,980	(19,100)	(70,623)	5,714	24,971

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS (continued)

	2023					2022				
	General needs housing £'000	Supported / housing for older people £'000	Shared ownership £'000	Other social housing £'000	Total £'000	General needs housing £'000	Supported / housing for older people £'000	Shared ownership £'000	Other social housing £'000	Total £'000
Social housing lettings										
Turnover										
Rent receivable net of identifiable service charges (net of voids)	29,499	1,327	6,592	5,583	43,001	27,334	1,259	5,907	5,382	39,882
Service charge income	715	184	989	1	1,889	798	137	842	1	1,778
Net rental income	30,214	1,511	7,581	5,584	44,890	28,132	1,396	6,749	5,383	41,660
Amortisation of capital grant	1,376	77	368	460	2,281	1,342	77	281	461	2,161
Net turnover	31,590	1,588	7,949	6,044	47,171	29,474	1,473	7,030	5,844	43,821
Operating costs										
Management	(7,645)	(454)	(3,429)	(1,063)	(12,591)	(6,764)	(415)	(2,946)	(973)	(11,098)
Service charge costs	(1,602)	(95)	(719)	(223)	(2,639)	(1,765)	(108)	(769)	(254)	(2,896)
Routine maintenance	(7,108)	(421)	-	(988)	(8,517)	(5,289)	(325)	-	(761)	(6,375)
Planned maintenance	(1,740)	(103)	-	(242)	(2,085)	(860)	(53)	-	(124)	(1,037)
Major repairs expenditure	(3,207)	(372)	-	(875)	(4,454)	(3,176)	(196)	-	(459)	(3,831)
Bad debts	(189)	(11)	(85)	(26)	(311)	(151)	(9)	(66)	(22)	(248)
Depreciation of housing properties	(4,752)	(194)	(1,016)	(973)	(6,935)	(4,443)	(193)	(916)	(966)	(6,518)
Loss on disposal of components	(256)	(19)	-	(25)	(300)	(147)	(9)	-	(24)	(180)
	(26,499)	(1,669)	(5,249)	(4,415)	(37,832)	(22,595)	(1,308)	(4,697)	(3,583)	(32,183)
Operating surplus	5,091	(81)	2,700	1,629	9,339	6,879	165	2,333	2,261	11,638
Void losses	(192)	(17)	(1)	(39)	(249)	(163)	(17)	(9)	(36)	(225)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS (continued)

Surplus on disposal of fixed assets	2023			2022		
	Sale proceeds £'000	Cost of sales £'000	Surplus £'000	Sale proceeds £'000	Cost of sales £'000	Surplus £'000
Staircasing	6,620	(3,084)	3,536	8,587	(4,795)	3,792
Right to Buy/Acquire	255	(70)	185	171	(103)	68
Other registered providers	-	(388)	(388)	(196)	196	-
Existing unit sales	760	(303)	457	460	(335)	125
Equity loan redemptions	3,378	(2,156)	1,222	5,069	(3,371)	1,698
Other fixed assets	-	-	-	37	(6)	31
	11,013	(6,001)	5,012	14,128	(8,414)	5,714

The cost of sales attributed to other registered providers in the year relates to the correction of sales values in the prior year.

Stock Units	2022 Number	2023 Additions	2023 Disposals	2023 Reclass	2023 Number
Social Housing Properties - Owned and/or managed					
General needs housing	4,428	150	(4)	-	4,574
Supported/housing for older people	272	-	(2)	1	271
Affordable home ownership	1,929	160	(27)	(10)	2,052
Other social housing	637	-	(1)	-	636
	7,266	310	(34)	(9)	7,533
Non-social Housing Properties - Owned and/or managed					
Market rent housing	339	-	-	-	339
	7,605	310	(34)	(9)	7,872
Other					
Owned/Not Managed - Leasehold*	489	-	(1)	9	497
Owned/Not Managed - Market sale	-	10	(9)	-	1
Equity loans	806	-	(54)	-	752
Total	8,900	320	(98)	-	9,122
Non-Housing Properties	283	-	-	-	283
Total Units	9,183	320	(98)	-	9,405
<i>Properties under construction</i>	<i>494</i>				<i>517</i>

* Leasehold housing represents those units where the freehold has been retained.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

4. FINANCE INCOME

	2023 £'000	2022 £'000
Interest receivable from cash and cash equivalents	120	52
Income from interest rate swap	-	2
Equity loan interest	314	327
	434	381

5. FINANCE COSTS

	2023 £'000	2022 £'000
Interest costs on loans and borrowings	7,869	8,083
Servicing fees of loans and borrowings	379	365
Capitalised interest	(3,032)	(2,543)
Interest payable on intercompany loans	163	52
	5,379	5,957
Interest on Recycled Capital Grant Fund	388	42
Interest on pension scheme liabilities	428	605
	6,195	6,604

The weighted average cost of capital for the period is 3.90% (2022: 3.90%) with reference to its effective interest costs on loans and borrowings against the carrying value of loans and borrowings during the year at a Group level.

6. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

Surplus on ordinary activities before tax is stated after charging/(crediting):

	2023 £'000	2022 £'000
Depreciation of fixed assets	7,835	7,628
Amortisation	(2,215)	(2,161)
Government revenue grant	(479)	(248)
Defined contribution pension cost	5,610	4,569
Defined benefit service cost	162	227
Impairment of other fixed assets	1,158	-
Operating lease expense:		
Office equipment, computers and motor vehicles	274	274
Fees payable to the Society's auditor (excluding VAT):		
In their capacity as auditors	32	25
In respect of other assurance related services	2	1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

7. TAX

	2023 £'000	2022 £'000
Current tax		
UK corporation tax	538	522
Deferred tax		
Timing differences, origination and reversal	3,186	376
Tax charge for the year	3,724	898

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19%. The differences are explained as follows:

	2023 £'000	2022 £'000
Total tax reconciliation		
Surplus on ordinary activities before tax	15,132	12,825
Tax on surplus on ordinary activities at 19%	2,875	2,437
Effects of:		
Fixed asset differences	1,106	337
Expenses not deductible for tax purposes	853	240
Income not taxable for tax purposes	(434)	(446)
Chargeable gains	622	669
Movement in unrecognised deferred tax	(4,064)	(970)
Gift aid	(1,789)	(2,323)
Corporate Interest Restriction disallowance	-	955
Adjustment to tax charge in respect of prior periods	1	-
Current tax charged directly to equity	538	-
Deferred tax charged directly to equity	3,185	-
Remeasurement of deferred tax for change in tax rates	831	-
Total tax charge	3,724	898

The deduction of £1,789k (2022: £2,323k) of gift aid relates to an amount of £9,416k (2022: £12,229k) to be gifted prior to 31 December 2023, with the tax benefit taken in the year ended 31 March 2023 as permitted by Section 199 of the Corporation Tax Act 2020.

8. DIRECTORS' EMOLUMENTS

The Directors of the Society are defined as the board members, who sit as the Group Board, and the Executive Board.

Non-Executive members receive a fee in respect of services provided to all Group entities and committees; it is not possible to disaggregate their remuneration at a constituent entity level. Executive Board members receive no incremental remuneration for their role as Directors of individual legal entities. All Directors are remunerated by The Swaythling Housing Society Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

8. DIRECTORS' EMOLUMENTS (continued)

Name	Appointed	Resigned	Annual Fee
Jane Alderman	01/02/2019	-	13,000
Mandy Clarke	01/09/2013	31/08/2022	13,000
Joanna Makinson	04/11/2019	-	18,000
Wayne Morris	04/11/2019	-	26,000
Simon Porter	25/09/2014	-	13,000
Jocelyn McConnachie	04/08/2021	-	11,000
Lou Taylor	04/08/2021	-	11,000
Mary-Kathryn Rallings-Adams	04/08/2021	-	11,000
David Montague	25/05/2022	-	11,000
Veronica Gordon	25/05/2022	-	11,000
<i>John Gary Orr</i>	<i>15/10/2018</i>	-	<i>N/A</i>
<i>Caroline Moore</i>	<i>04/11/2019</i>	-	<i>N/A</i>

Key: Non-Executive Member; *Executive Board Member*

Key Management Personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity either directly or indirectly.

Board members received emoluments during the year totalling £132k (2022: £126k). Board expenses of £nil (2022: £nil) were incurred in the year.

Below are shown the aggregate emoluments (including pensions and benefits in kind, excluding compensation for loss of office) paid by the Society to:

	2023 £'000	2022 £'000
The Executive Board (excluding those paid to third parties)	1,513	1,272
Board Members	132	126
Key Management Personnel excluding Directors	1,469	1,438
	3,114	2,836
Amount payable to the highest paid Director (excluding pension contributions)	338	285

The Chief Executive Officer is a member of a defined contribution scheme, into which the Society made employer contributions of £10k (2022: £10k).

During the year ended 31 March 2023 there were five (2022: five) Directors within pension schemes in which the Society participates and none (2022: none) were in defined benefit schemes. Their outstanding contributions, which were accrued, as at 31 March 2023 totalled £6k (2022: £11k).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

9. STAFF COSTS

The average number of employees expressed as full-time equivalents (calculated on standard working hours per week for each employee) during the year was:

	2023	2022
	FTE	FTE
Central office and support staff	250	265
Development staff	86	74
Housing and customer service staff	498	491
Repairs and maintenance staff	595	426
	1,429	1,256
	2023	2022
	£'000	£'000
Staff costs (for the above employees)		
Wages and salaries	50,462	44,106
Social security costs	5,276	4,413
Pension costs	5,772	4,877
	61,510	53,396

The Society had the following number of full-time equivalent staff with remuneration (including compensation for loss of office and pension contributions) of £60,000 or more, shown in bands of £10,000:

	2023	2022
	FTE	FTE
Salary banding		
£60,000 - £69,999	36	27
£70,000 - £79,999	17	10
£80,000 - £89,999	11	13
£90,000 - £99,999	13	6
£100,000 - £109,999	1	4
£110,000 - £119,999	2	4
£120,000 - £129,999	3	6
£130,000 - £139,999	2	2
£140,000 - £149,999	3	1
£150,000 - £159,999	3	-
£160,000 - £169,000	1	-
£170,000 - £179,999	1	-
£200,000 - £209,999	-	1
£210,000 - £219,999	-	2
£220,000 - £229,999	-	1
£230,000 - £239,999	1	-
£240,000 - £249,999	2	-
£260,000 - £269,999	1	-
£290,000 - £299,999	-	1
£340,000 - £349,999	1	-
	98	78

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

10. INTANGIBLE ASSETS

	Internally generated in-house software applications £'000
Cost	
At 1 April 2022 and 31 March 2023	<u>267</u>
Accumulated amortisation	
At 1 April 2022	(178)
Charge for the year	(66)
At 31 March 2023	<u>(244)</u>
Net book value	
At 31 March 2023	<u>23</u>
At 31 March 2022	<u>89</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

11. HOUSING PROPERTIES

	Completed properties			Properties in course of construction			
	Social housing	Shared	Total	Social housing	Shared	Total	Total
	lettings	ownership		lettings	ownership		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Cost							
At 1 April 2022	501,501	149,591	651,092	33,914	26,737	60,651	711,743
Additions	48	-	48	36,150	17,286	53,436	53,484
Additions - works to existing properties	3,119	-	3,119	-	-	-	3,119
Transferred into management	37,177	26,202	63,379	(37,177)	(26,202)	(63,379)	-
Disposals and demolitions	(1,779)	(3,192)	(4,971)	-	-	-	(4,971)
Intercompany transfers	(388)	-	(388)	-	-	-	(388)
Net movement to current assets	-	(1,429)	(1,429)	-	-	-	(1,429)
At 31 March 2023	539,678	171,172	710,850	32,887	17,821	50,708	761,558
Accumulated depreciation							
At 1 April 2022	(65,394)	(6,832)	(72,226)	-	-	-	(72,226)
Charge for the year	(5,919)	(1,016)	(6,935)	-	-	-	(6,935)
Disposals and demolitions	1,200	190	1,390	-	-	-	1,390
At 31 March 2023	(70,113)	(7,658)	(77,771)	-	-	-	(77,771)
Net book value							
At 31 March 2023	469,565	163,514	633,079	32,887	17,821	50,708	683,787
At 31 March 2022	436,107	142,759	578,866	33,914	26,737	60,651	639,517

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

11. HOUSING PROPERTIES (continued)

Freehold and leasehold properties

At 31 March 2023, the net book value of completed properties held on a freehold and leasehold basis was split as follows:

	Freehold £'000	Leasehold £'000	Total £'000
General Needs	475,596	26,856	502,452
Shared Ownership	181,335	-	181,335
	656,931	26,856	683,787

Valuation of completed properties

Social housing land and buildings are shown at historic cost. The value of social housing properties as determined by the 'Existing Use Valuation – Social Housing' method at 31 March 2023 was £735.4m (2022: £629.1m). The valuation was carried out by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

Interest capitalisation

	2023 £'000	2022 £'000
Interest capitalised in the year	3,032	2,543
Cumulative interest capitalised	11,205	9,235
Rate used for capitalisation	3.90%	3.90%

Expenditure on works to existing housing properties

	2023 £'000	2022 £'000
Amounts capitalised	3,119	1,234
Amounts charged to Statement of Comprehensive Income	15,057	11,257

Included within the amounts above and other areas of operating costs is a total of £1,404k (2022: £1,404k) related to fire safety expenditure.

Security

The Society had housing property with a net book value of £301m pledged as security at 31 March 2023 (2022: £306m).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

12. OTHER FIXED ASSETS

	Freehold land and premises £'000	Computers, fixtures and fittings £'000	Vehicles, plant and equipment £'000	Total £'000
Cost				
At 1 April 2022	12,504	3,555	4,427	20,486
Additions	-	334	71	405
Disposals and demolitions	-	(29)	-	(29)
Impairment	(1,158)	-	-	(1,158)
At 31 March 2023	11,346	3,860	4,498	19,704
Accumulated depreciation				
At 1 April 2022	(2,483)	(2,951)	(4,034)	(9,468)
Charge for the year	(165)	(467)	(267)	(899)
Disposals and demolitions	-	29	-	29
At 31 March 2023	(2,648)	(3,389)	(4,301)	(10,338)
Net book value				
At 31 March 2023	8,698	471	197	9,366
At 31 March 2022	10,021	604	393	11,018

13. INVESTMENT PROPERTIES

	Completed £'000
Value	
At 1 April 2022	51,646
Revaluation surplus	574
At 31 March 2023	52,220

The surplus on revaluation of investment property has been credited to the Statement of Comprehensive Income for the year.

Property valuation

Completed investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer; Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)**13. INVESTMENT PROPERTIES (continued)**

The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. In valuing investment properties, a discounted cash flow methodology was adopted, factoring in gross rental income less deductions for reasonable operating costs, based on the following key assumptions:

- Discount rate (rental income) 5.5% - 6.0%
- Annual inflation rate 0.5% - 1.0%
- Level of long-term annual rent increase 1.0% - 1.5%
- Bad Debts and Voids 2.0% - 4.0%

If the investment properties had not been revalued, they would have been accounted for on the historical cost basis and held at the following amounts:

	2023	2022
	£'000	£'000
Cost	43,604	43,604
Depreciation	(4,745)	(4,328)
Net book value	38,859	39,276

14. EQUITY LOANS

	2023	2022
	£'000	£'000
Equity loans	28,904	31,078
Accrued equity loan interest	28	29
Equity loan provision	(747)	(807)
	28,185	30,300

Equity loans are secured by way of an equity charge over the property purchased by the recipient of the loan.

We have received £23.5m of grant (2022: £25.2m) in respect of the equity loans in issue. The grants will be recycled on redemption of the loans.

15. INVESTMENTS

The Society has a 26% interest in Aspect Building Communities Limited, a company limited by guarantee. Aspect was formed to bring forward housing developments to increase housing supply and boost the local economy by working in partnership with local organisations. We are a co-investor alongside another registered provider and two local authorities who all contribute to the annual overheads. No investment value is held at the reporting date as it is deemed irrecoverable.

Our investment in Parity Trust is not considered to be recoverable and was fully impaired in 2015.

The Society holds in trust one 50p share in Swaythling Assured Home plc on behalf of Abri Group Limited; the Society has no beneficial interest in this share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

16. PROPERTIES FOR SALE

	Completed properties			Properties in course of construction			Total £'000
	Market sale £'000	Shared ownership £'000	Total £'000	Market sale £'000	Shared ownership £'000	Total £'000	
At 1 April 2022	-	2,460	2,460	4,726	17,694	22,420	24,880
Additions	-	-	-	10,043	11,952	21,995	21,995
Completed in year	3,572	17,767	21,339	(3,572)	(17,767)	(21,339)	-
Net movement from housing properties	-	1,429	1,429	-	-	-	1,429
Cost of properties sold	(3,235)	(15,295)	(18,530)	-	-	-	(18,530)
At 31 March 2023	337	6,361	6,698	11,197	11,879	23,076	29,774

17. RECEIVABLES

	2023 £'000	2022 £'000
Gross arrears of rent and service charges		
Social	1,976	1,737
Non-social	407	312
	2,383	2,049
Bad debt provision	(1,067)	(875)
Net tenant arrears	1,316	1,174
Trade receivables	646	459
Social Housing Grant receivable	12,064	7,407
Other receivables and prepayments	4,523	4,588
Short-term non-liquid assets	3,371	3,396
Amounts due within one year	21,920	17,024

Short-term non-liquid assets comprises cash held in liquidity funds.

Included within other receivables and prepayments above is £74k (2022: £98k) of staff loans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

18. PAYABLES: AMOUNTS DUE WITHIN ONE YEAR

	Note	2023 £'000	2022 £'000
Loans, borrowings, and accrued interest	19	17,523	16,868
Deferred income and payments on account		2,013	2,105
Other tax and social security payable		1,288	1,181
Trade payables		4,562	4,519
Other payables		4,159	3,565
Accruals		13,127	8,528
Contract retentions		1,057	1,396
Deferred capital grant	21	2,407	2,260
Recycled capital grant	22	4,252	6,485
Amounts owed to Group undertakings		24,754	2,428
Gift Aid Accrued		9,416	12,229
		84,558	61,564

Amounts owed to group undertakings relate to balances held with fellow registered providers in the Group. Whilst amounts owed to Group undertakings are repayable within one year, it is unlikely that the obligation to repay the debt within one year will be enforced.

19. PAYABLES: AMOUNTS DUE AFTER ONE YEAR

	Note	2023 £'000	2022 £'000
Loans, borrowings, and accrued interest		263,141	273,480
Contract retentions		309	309
Recycled Capital Grant Fund	22	8,927	9,239
		272,377	283,028

Overview of loans and borrowings

The Society has a range of loans and borrowings with various financial institutions.

The Society holds bank loans at fixed rates of interest of between 0.8% and 8.1%, with maturity dates ranging from 2023-2037 inclusive. A bank loan at a variable rate of interest of 5.5% priced with reference to SONIA, lender margin and including credit adjustment spread is also held, with maturity in 2034.

The Society has sold a range of bonds repayable in both single and multiple instalments, all at fixed rates of interest. The Society sold bonds in conjunction with financial institutions at rates between 2.9% and 11.1%, with maturity dates ranging from 2030-2043 inclusive.

The Society has intercompany loans with Abri Group Limited, at a variable rate of the Bank of England base rate plus 1.25%, which mature in 2024. The Group also holds a single loan with Homes England which matures in 2033.

All external loans and borrowings are secured against housing properties, with both headroom on existing facilities and undrawn facilities available to the Society.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

19. PAYABLES: AMOUNTS DUE AFTER ONE YEAR (continued)

Borrowings are repayable or will be released to the Statement of Comprehensive Income as follows:

	2023					2022				
	Bank loans £'000	Bonds £'000	Intercompany Loans £'000	HE loans £'000	Total £'000	Bank loans £'000	Bonds £'000	Intercompany Loans £'000	HE loans £'000	Total £'000
In multiple instalments										
One year or less	3,600	435	-	-	4,035	3,600	399	11,000	-	14,999
One to two years	8,400	473	6,000	-	14,873	3,600	213	-	-	3,813
Two to five years	63,900	1,688	-	-	65,588	27,000	1,485	-	-	28,485
Five years or more	100,800	8,002	-	-	108,802	146,100	8,900	-	-	155,000
	176,700	10,598	6,000	-	193,298	180,300	10,997	11,000	-	202,297
In a single instalment										
One year or less	-	12,000	-	-	12,000	-	-	-	-	-
One to two years	-	-	-	-	-	-	12,000	-	-	12,000
Five years or more	-	66,100	-	572	66,672	-	66,100	-	572	66,672
	-	78,100	-	572	78,672	-	78,100	-	572	78,672
	176,700	88,698	6,000	572	271,970	180,300	89,097	11,000	572	280,969

The total value of all loans and borrowings includes a further £8.7m (2022: £9.4m) of capitalised fees, premiums and accrued interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

20. PROVISIONS

Fire Safety works	2023 £'000	2022 £'000
Balance brought forward at 1 April	8,058	8,152
Variations to provisions brought forward	715	233
New provisions in year	183	-
Release of provisions in year	(3,919)	(327)
Balance carried forward at 31 March	5,037	8,058

Provisions relate to remedial works for defective cladding and/or insulation on blocks in excess of 11m in height and for redundancies. Variations arise from a change in the scope and estimated cost of works and are released against costs incurred when work is in progress.

21. DEFERRED CAPITAL GRANT

	Completed £'000	In course of construction £'000	Total £'000
Cost			
At 1 April 2022	229,454	47,453	276,907
Inputs			
Received in year	-	35,905	35,905
Transferred from Recycled Capital Grant Fund	-	710	710
Transferred into management	17,109	-	17,109
Outputs			
Recycled on disposal	(683)	-	(683)
Transferred into management	-	(17,109)	(17,109)
At 31 March 2023	245,880	66,959	312,839
Accumulated amortisation			
At 1 April 2022	(32,977)	-	(32,977)
Released on disposal	96	-	96
Charge for the year	(2,281)	-	(2,281)
At 31 March 2023	(35,162)	-	(35,162)
Amortised deferred capital grant			
At 31 March 2023	210,718	66,959	277,677
At 31 March 2022	196,477	47,453	243,930

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

21. DEFERRED CAPITAL GRANT (continued)

Deferred capital grant will be recognised in the Statement of Comprehensive Income as follows:

	Completed £'000	In course of construction £'000	Total £'000
Deferred capital grant due within one year	2,407	-	2,407
Deferred capital grant due after one year	208,311	66,959	275,270
	210,718	66,959	277,677

The Recycled Capital Grant Fund for the Group are held centrally within The Swaythling Housing Society Limited, hence transfers from the Recycled Capital Grant Fund will not agree to the Society's Recycled Capital Grant Fund note.

22. RECYCLED CAPITAL GRANT FUND

	2023 £'000	2022 £'000
Cost		
At 1 April 2022	15,724	16,846
Net inputs to fund		
Grants recycled	2,400	3,888
Interest accrued	388	42
Transfers to other Group members	(4,696)	(1,571)
Recycling of grant		
New build	(630)	(3,407)
Other	(7)	(74)
At 31 March 2023	13,179	15,724
Recycled capital grant due within one year	4,252	6,485
Recycled capital grant due after one year	8,927	9,239
	13,179	15,724

Included within payables due in less than one year is £0.3m (2022: £2.5m) which have been held for more than three years and would normally be due for repayment to Homes England. However, under the terms of the Strategic Partnership, it is expected that aged balances can be recycled up to the cessation date of the partnership and are not therefore due for repayment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)**23. DEFERRED TAX**

Deferred tax is provided as follows:

	2023	2022
	£'000	£'000
Fixed asset timing differences	1,417	345
Short term timing differences	(2,809)	(376)
Capital gains	144	1,807
Losses and other deductions	1,248	(1,776)
Provision for deferred tax	-	-

Deferred tax assets and liabilities are offset only where the Society has a legally enforceable right to do so. An asset of £1.3m (2022: £4.1m) has not been recognised in respect of losses and other timing differences. The asset would be recovered if there were sufficient and suitable surpluses in the future.

24. PENSIONS**Defined Contribution Scheme**

In October 2022, the Group introduced a new Defined Contribution scheme, administered by Standard Life to replace two legacy schemes: The Pensions Trust Flexible Retirement Plan and Aviva Life. Contribution to the scheme is on the employee contribution plus 2%, subject to a maximum of 10%, except for senior leaders for whom the cap is 12%, the same terms as the legacy schemes.

The Society is the only participating employer in the Group, as it employs all new starters and, with effect from 1 May 2023, is the sole employing entity in the Group following the transfer of employees from Abri Group Limited.

	2023	2022
	£'000	£'000
Accounting charge		
The Pensions Trust Flexible Retirement Plan	2,324	2,342
Aviva Life	373	329
Standard Life	2,906	-
	5,603	2,671
Outstanding contributions at 31 March		
The Pensions Trust Flexible Retirement Plan	-	204
Aviva Life	-	35
Standard Life	479	-
	479	239

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)**24. PENSIONS (continued)****Defined Benefit Schemes**

The Society participates in the following schemes, both of which were closed to new entrants.

- Abri Group Pension Scheme (AGPS); and
- The Royal County of Berkshire Pension Fund (RCB)

Both schemes had full actuarial valuations carried out at 30 September 2022 and updated to 31 March 2023 by an independent qualified actuary. RCB and AGPS were closed to future accrual with effect from 30 April 2023 and 30 June 2023 respectively.

Abri Group Pension Scheme (AGPS)

The scheme was established after employers in the legacy Radian Group exited the Social Housing Pension Scheme. The full valuation (September 2022 preliminary results) showed a deficit of £20.7m, corresponding to a funding level of 75% which the employers agreed with the Trustee to aim to eliminate over a period of six years.

In the year, payments were made towards this deficit totalling £3,046k (2022: £2,957k) and monthly contributions were 14.6% of members' earnings until the scheme closed to future accrual.

Royal County of Berkshire Pension Fund (RCB)

The scheme is a multi-employer Local Government Pension Scheme where the deficit or surplus can be separately identified. The full valuation results showed a funding deficit of £1.1m and a funding level of 83%.

In the year, payments were made towards this deficit totalling £224k (2022: £216k) and monthly contributions remained at 21.0% of members' earnings until the scheme closed to future accrual.

At the reporting date the schemes in the Society had the following net liabilities:

	2023	2022
	£'000	£'000
AGPS defined benefit pension deficit	17,811	12,105
RCB defined benefit deficit	2,553	5,762
	20,364	17,867

Main financial assumptions adopted for FRS 102 purposes:

	AGPS		RCB	
	2023	2022	2023	2022
	%	%	%	%
Increases per annum				
CPI inflation	3.0	3.3	3.1	3.5
Salary increases	4.0	4.3	4.1	4.5
Discount rate	4.8	2.8	4.4	2.4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

24. PENSIONS (continued)

Defined Benefit Schemes (continued)

Post retirement mortality assumptions:

	AGPS		RCB	
	Males	Females	Males	Females
Retiring today	21.7	23.9	21.1	23.9
Retiring in 20 years	23.3	25.4	22.3	25.3

The assets in the Society's share of defined benefit schemes comprised:

	2023			2022		
	AGPS £'000	RCB £'000	Total £'000	AGPS £'000	RCB £'000	Total £'000
Equities	39	3,397	3,436	12,698	3,536	16,234
Bonds	32,349	-	32,349	46,462	922	47,384
Property	4,021	691	4,712	4,795	682	5,477
Infrastructure	-	-	-	-	697	697
Cash	2,214	83	2,297	1,363	119	1,482
Alternative assets	10,977	470	11,447	26,169	(257)	25,912
Private credit	6,396	794	7,190	-	-	-
Total market values of assets	55,996	5,435	61,431	91,487	5,699	97,186

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

24. PENSIONS (continued)

Defined Benefit Schemes (continued)

	2023			2022		
	AGPS	RCB	Total	AGPS	RCB	Total
	£'000	£'000	£'000	£'000	£'000	£'000
The Society's share in defined benefit scheme obligations:						
Fair value of scheme assets	55,996	5,435	61,431	91,487	5,699	97,186
Present value of defined benefit obligation	(73,807)	(7,988)	(81,796)	(103,592)	(11,461)	(115,053)
Society share of deficit in the scheme	(17,811)	(2,553)	(20,365)	(12,105)	(5,762)	(17,867)
Movements in the fair value of scheme assets						
Opening fair value of scheme assets	91,487	5,699	97,186	86,716	5,137	91,853
Interest income on scheme assets	2,543	135	2,678	1,915	86	2,001
Actuarial gains/(losses)	(38,673)	(223)	(38,896)	2,192	613	2,805
Expenses	(242)	(6)	(248)	(194)	(5)	(199)
Contributions from employers	3,440	230	3,670	3,437	226	3,663
Contributions from scheme members	-	2	2	-	2	2
Benefits paid	(2,559)	(402)	(2,961)	(2,579)	(360)	(2,939)
Closing fair value of scheme assets	55,996	5,435	61,431	91,487	5,699	97,186
Movements in the present value of defined benefit obligations						
Opening defined benefit obligation	(103,592)	(11,461)	(115,053)	(110,140)	(12,386)	(122,526)
Service cost	(148)	(14)	(162)	(287)	(20)	(307)
Interest cost	(2,836)	(270)	(3,106)	(2,398)	(208)	(2,606)
Actuarial gains/(losses)	30,210	3,357	33,566	6,654	795	7,449
Benefits paid	2,559	402	2,961	2,579	360	2,939
Contributions by scheme members	-	(2)	(2)	-	(2)	(2)
Closing defined benefit obligation	(73,807)	(7,988)	(81,796)	(103,592)	(11,461)	(115,053)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

24. PENSIONS (continued)

Analysis of amounts charged to the Statement of Comprehensive Income:

Defined Benefit Schemes (continued)

	2023			2022		
	AGPS	RCB	Total	AGPS	RCB	Total
	£'000	£'000	£'000	£'000	£'000	£'000
SOCI - Operating and Finance Costs						
Service costs	148	14	162	287	20	307
Expenses	242	6	248	194	5	199
Net finance charge	293	135	428	483	122	605
	683	155	838	964	147	1,111
Within Actuarial gains/(losses)						
Actual less expected return on assets	(38,673)	(223)	(38,896)	2,192	613	2,805
Gains from changes in assumptions	40,706	3,780	44,485	8,489	795	9,284
Experience losses on liabilities	(10,496)	(423)	(10,919)	(1,835)	-	(1,835)
	(8,463)	3,134	(5,330)	8,846	1,408	10,254

25. CHARITABLE DISTRIBUTIONS

The Society made charitable distributions to the following recipients:

	2023	2022
	£'000	£'000
Abri Group Limited	11,000	-

At 31 March 2022, £12,229k was accrued for Gift Aid payments to be made prior to 31 December 2022 to fully mitigate corporation tax liabilities for the prior year. Upon completion of corporation tax returns the above payment was made and the remaining accrual released to reserves.

26. SHARE CAPITAL

	2023	2022
	£	£
Shares of £1 each		
Issued and fully paid at 1 April	29	34
Shares issued during the year	1	3
Shares cancelled during the year	(5)	(8)
Shares issued and fully paid at 31 March	25	29

The share capital of the Society consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. On ceasing to be a shareholder, the relevant share is cancelled, and the amount paid thereon becomes the property of the Society. Therefore, all shareholdings relate to non-equity interests.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

27. CAPITAL AND OTHER COMMITMENTS

	2023 £'000	2022 £'000
Capital expenditure commitments were as follows		
In contract	55,336	60,330
Approved but not contracted	10,263	7,782
Total capital commitments	65,599	68,112
Other commitments	26,224	33,943
Total commitments	91,823	102,055

Capital commitments represent expenditure on housing properties not provided for in the financial statements. Other commitments represent expenditure on properties being developed for sale.

Capital commitments at the reporting date will be funded as outlined below:

	Society £'000
Cash at bank	9,581
Undrawn Revolving Credit Facilities	50,000
Cash generated from operating activities	6,018
	65,599

Cash generated from operating activities represents the difference between total capital commitments and all existing sources of funding available to the Society and is lower than amounts budgeted within the year ended 31 March 2024 alone.

28. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Amounts payable as lessee				
Not later than one year	60	57	10	10
Later than one year and not later than five years	103	77	9	19
	163	134	19	29

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

28. OPERATING LEASES (continued)

The total receipts which the Society is committed to receive under operating leases are as follows

	Commercial properties		Leases with partnership agencies		Tenancy leases	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Amounts receivable as lessor						
Not later than one year	85	85	253	245	11,584	10,944
Later than one year and not later than five years	233	294	765	774	14,540	19,919
Later than five years	126	150	182	297	1,989	990
	444	529	1,200	1,316	28,113	31,853

Where a tenancy lease has no fixed end date, it has been assumed that the Society is committed to receive one month's rent, equal to the default notice period on tenancy agreements.

29. FINANCIAL INSTRUMENTS

Included below are fair value losses on financial assets and liabilities held at fair value.

	2023 £'000	2022 £'000
Fair value losses		
On interest rate swap	-	73
On current asset listed investments	-	36
	-	109

Both financial instruments expired in the year ended 31 March 2022.

30. RELATED PARTY TRANSACTIONS**Pension Schemes**

The Abri Group Pension Scheme and The Royal County of Berkshire Pension Fund are considered to be related parties and full disclosure is provided in note 24.

Loans

During the year, two (2022: two) employees determined to be Key Management Personnel had loans with the Society. As at 31 March 2023, the outstanding value of these loans was £nil (2022: £107).

Loans are unsecured, repayable in monthly instalments and do not carry interest. There are no provisions for uncollectible receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Transactions with other entities

The Society, a subsidiary of Abri Group Limited, has taken advantage of the exemption contained in FRS 102 paragraph 33.1A not to disclose transactions or balances with entities which are wholly owned by the Group, subject to the requirements of the Accounting Direction to disclose transactions with non-registered providers, who are listed below:

Abri Group Subsidiaries	Jointly Controlled Entities
<ul style="list-style-type: none"> • Radian Developments Limited (RDL) • Yarlington Homes Limited (YHL) • Inspired to Achieve Limited (i2a) • Yarlington Property Management Limited (YPM) • Radian Capital plc (RC) • Yarlington Treasury Services plc (YTS) • Swaythling Assured Homes plc (SAH) 	<ul style="list-style-type: none"> • Thakeham Pease Pottage LLP (TPP) • Linden (Sayers Common) LLP (LSC) • Lovell/Abri Weymouth LLP (LAW) • Thakeham West Horsley LLP (TWH) • Affinity (Reading) Holdings Limited (ARHL) • Affinity (Reading) Limited (ARL) • Affinity Housing Services (AHS) • Advantage South West LLP (ASW)

Transactions and balances with subsidiaries are eliminated in the consolidated Group financial statements. The following transactions and balances are shown from the perspective of the Society:

	2023 £'000	2022 £'000
Transactions - Expenditure		
Purchase of properties developed from YHL	(7,380)	(3,506)
<i>Purchase of properties developed from TPP</i>	(140)	(365)
<i>Purchase of properties developed from LSC</i>	(940)	(3,199)
Charge for services provided by YPM	-	(3)
	<hr/>	<hr/>
Balances - Assets		
<i>Receivable from AHS for transactional services</i>	15	15
	<hr/>	<hr/>
Payables		
<i>Payable to LSC for purchase of properties</i>	(173)	(189)
<i>Payable to TPP for purchase of properties</i>	(24)	(27)
	<hr/>	<hr/>

31. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 March 2023, the Society's ultimate parent and ultimate controlling party was Abri Group Limited, a Co-operative and Community Benefits Society registered with the Financial Conduct Authority.

Abri Group Limited is a registered provider and is the parent of both the largest and smallest Group into which the Society is consolidated.

Group financial statements can be obtained from Abri Group Limited, Collins House, Bishopstoke Road, Eastleigh, Hampshire, SO50 6AD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

32. POST BALANCE SHEET EVENTS

On 1 May 2023 all employees of Abri Group Limited transferred to The Swaythling Housing Society Limited, following the closure of all defined benefit pension schemes in the Group to future accrual.

The Society therefore became the sole employer in the Group, with all employees eligible to be members of a single defined contribution pension scheme, with effect from this date.